

Maurice Hinchey NEWS

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HINCHEY: BUSH ECONOMIC APPROACH IS A FAILURE

KINGSTON - U.S. Representative Maurice Hinchey (NY-26) today pointed to current news items as further proof that the economic plan of the Bush Administration is not working. Citing increasingly gloomy economic statistics, the dire financial circumstances of the states, and the resignations of Treasury Secretary Paul O'Neill and White House economic adviser Lawrence Lindsey, Hinchey called on the administration to change course and implement policies that would help middle- and lower-income Americans.

"The Bush economic plan -if simply cutting taxes for the wealthiest Americans can be called a plan- is keeping the country in recession," said Hinchey. "Given the abysmal failure of the White House's approach, it is appropriate that Mr. O'Neill and Mr. Lindsey step down. But a change in personnel isn't going to make a difference if there's no change in policy."

Hinchey cited compelling data that demonstrates that the weakened economy has led to lower incomes for the middle class, more poverty and greater income inequality. In September the Census Bureau said that 1.3 million more Americans fell below the poverty line in 2001, the first increase since 1993. That brought the percentage of the country considered to be in poverty to 11.7 percent. Median household income fell 2.2 percent (adjusted for inflation), the first significant income decline since the recession of 1990-91. This sent the median income back down to its 1998 level.

Unemployment is at its highest level in nine years. The Department of Labor reported today that unemployment rose to six percent last month, boosting the number of workers looking for a job but unable to find one to 8.5 million. About one in five individuals who are unemployed have been so for six months or more. Because the Republican House of Representatives failed to pass a further extension of unemployment benefits, 830,000 people will lose their benefits on December 28. After that another 95,000 per week will be cut off.

The *Washington Post* reported today that the nation's governors -Republican and Democrat alike- are citing the Bush tax cut and the federal government's failure to provide needed funding as a chief cause of the states' worsening fiscal crises. Fire, police and medical rescue units were supposed to receive \$3.5 billion this October to finance homeland security programs, but have received almost none of it. The president's vaunted "No Child Left Behind" education law envisions spending \$28 billion, but the White House and the Republican-led Congress have provided nothing.

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The governors cited Washington's failure to contribute enough to Medicaid as the most serious strain on their budgets. This problem is exacerbated by Congress's failure to provide the elderly with a prescription drug benefit as part of Medicare.

"When the federal government cuts programs and fails to provide needed new ones, as it is forced to when its income is greatly reduced to give rich people a tax cut, the buck stops at the lowest level," Hinchey continued. "Washington passes the burden onto the states and the states transfer as much as they can to the local governments. The result is that property taxes rise and the economy spins out of control."

What little economic growth the country has seen has largely come from consumer spending on cars and household appliances. Most of that spending is attributable to low-cost financing. Low consumer confidence and concerns on the part of creditors about rising credit defaults may eliminate this lone bright spot.

"Record low interest rates and special incentives have been keeping the economy afloat," Hinchey added. "But that was likely a one-shot deal we won't be able to rely on anymore."

Hinchey advocates an economic policy that invests in public schools, maintains the strength and security of Social Security and Medicare, and temporarily cuts payroll taxes to put money directly into consumer's hands.